

1 AN ACT relating to area development districts.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 147A.070 is amended to read as follows:

- 4 (1) The board of directors in each district may appoint an executive director and fix his
5 or her salary subject to the requirements of subsection (3) of this section. The
6 executive director shall perform, in the name of the board, such functions and duties
7 and may exercise such authority of the board as the board may delegate to the
8 executive director~~[him]~~.
- 9 (2) The board of directors in each district may elect from its membership an executive
10 committee and delegate to the committee any of the following duties:
- 11 (a) To employ such staff members as may be required for the operations of the
12 district;
- 13 (b) To manage the financial assets and obligations of the district;
- 14 (c) To guide the activities of the district between meetings of the board; and
- 15 (d) To perform such other duties as the board might delegate to it.
- 16 **(3) Beginning on the effective date of this Act, an open position for the executive**
17 **director with an area development district shall be advertised by the board of**
18 **directors in a manner designed to provide adequate notice of the opening and**
19 **sufficient time for interested applicants to apply. Advertisement of the opening**
20 **shall, at a minimum, be provided on the Web site of the district and published in**
21 **accordance with KRS Chapter 424.**
- 22 **(4) Bonuses, awards, one (1) time salary adjustments, or special salary**
23 **enhancements for any employees that do not constitute a permanent change in**
24 **the employee's compensation shall not be made or awarded to any employee of a**
25 **district.**
- 26 **(5) The board, any committee created or attached to the board, and staff employed by**
27 **the board shall comply with:**

1 (a) Federal or state procurement statutes and regulations, as applicable;

2 (b) Conflict of interest laws in KRS 11A.040 and 45A.340; and

3 (c) Protections afforded in KRS 61.102.

4 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 147A IS CREATED TO
5 READ AS FOLLOWS:

6 (1) By August 1, 2017, and by June 1 of each succeeding year thereafter, the Cabinet
7 for Health and Family Services and the Education and Workforce Development
8 Cabinet shall, following any year in which the cabinet is awarded federal or state
9 funds to an area development district, prepare and submit a detailed report to the
10 Legislative Research Commission and area development district board members.

11 The report shall include the following financial information, separately for each
12 area development district and in total, from the preceding fiscal year:

13 (a) The total amount of state and federal funds distributed to each area
14 development district, broken down by funding source and program;

15 (b) For each allocation, distribution, award, or grant of state or federal funds,
16 the total amount, the percentage of the total amount, and a description of
17 the specific types of expenditures made for or allocated to:

18 1. Administrative costs;

19 2. Direct expenditures; and

20 3. Indirect expenditures;

21 (c) Allocations, distributions, awards, or grants not expended, and an
22 explanation of why the funds were not expended;

23 (d) The total amount of reserves carried forward by the area development
24 district, identification of the source of those funds, and an explanation of
25 why funds are being carried forward; and

26 (e) For each program:

27 1. A list of direct services provided by the district;

- 1 2. A list of service providers contracted by the district and the services
2 provided by those providers;
3 3. The number of eligible persons for the program, number of persons
4 served by the program, number of persons not served by the program,
5 and, if applicable, number of people on waiting lists for the program;
6 and
7 4. The performance measures required by the contract used to evaluate
8 the area development district's actions.

9 (2) The Legislative Research Commission shall distribute the report to the Interim
10 Joint Committees on Labor and Industry, State Government, Local Government,
11 Economic Development and Tourism, Education, Health and Welfare, and
12 Appropriations and Revenue; and each budget review subcommittee that has
13 jurisdiction over the Cabinet for Health and Family Services or the Education
14 and Workforce Development Cabinet.

15 (3) The cabinets shall present the information to each area development district's
16 board of directors.

17 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 147A IS CREATED TO
18 READ AS FOLLOWS:

19 (1) (a) Beginning no later than July 1, 2018, the Auditor of Public Accounts shall
20 perform a preliminary study of the fifteen (15) area development districts
21 that includes but is not limited to an evaluation of policies, procedures, and
22 internal controls; an analysis of financial activities; the administration of
23 questionnaires to or the conducting of interviews with the board of
24 directors, executive director, and other select employees; and other pertinent
25 evaluation procedures as determined by the Auditor.

26 (b) If issues or concerns are identified by the Auditor of Public Accounts in the
27 preliminary study, then an examination, if warranted, of those issues and

1 concerns shall be performed on the identified area development district.

2 (2) The Auditor of Public Accounts or the Auditor's authorized agent shall have
3 access to examine all books, accounts, reports, vouchers, correspondence, files,
4 records, money, and property of each area development district. The board of
5 directors for each area development district shall permit access to and
6 examination of all of the above upon request of the Auditor or any authorized
7 agent of the Auditor.

8 (3) Upon completion of any examination pursuant to this section, the Auditor of
9 Public Accounts shall submit recommendations to the board of directors to
10 remedy any issues and concerns of the examination.

11 (4) The board of directors shall have forty-five (45) days to submit a corrective action
12 plan to the Auditor of Public Accounts and initiate corrective action based on the
13 recommendations submitted under subsection (3) of this section.

14 (5) The Auditor of Public Accounts or the Auditor's authorized agent shall have all
15 powers and authority set forth in KRS Chapter 43 in performing the preliminary
16 study and any examinations under this section.

17 (6) (a) The cost for the preliminary study shall be borne by the area development
18 districts; however, the expense may be paid from resources received by the
19 area development districts from the Commonwealth or the federal
20 government to the extent permitted by applicable state and federal laws and
21 regulations. The expense for the preliminary study shall be allocated among
22 the area development districts based on total resources; and

23 (b) Any examination expenses shall be billed by the Auditor of Public Accounts
24 to the examined area development district which shall be responsible to pay
25 the Auditor the actual expenses of the examination.

26 (7) The preliminary study shall be completed by June 30, 2019, and any
27 examinations pursuant to this section shall be initiated by June 30, 2022.

1 (8) The Auditor of Public Accounts shall send copies of the preliminary study, and
2 any examinations, which shall include the Auditor's recommendations and the
3 area development districts' response to recommendations, to:

4 (a) The Legislative Research Commission, which shall disburse the materials to
5 the chairs of the Interim Joint Committees on Appropriations and Revenue,
6 Health and Welfare, Labor and Industry, State Government, Local
7 Government, Economic Development and Tourism, and Education;

8 (b) The Attorney General; and

9 (c) The appropriate cabinet and executive agency.

10 ➔SECTION 4. A NEW SECTION OF KRS CHAPTER 147A IS CREATED TO
11 READ AS FOLLOWS:

12 (1) No area development district shall enter into any contract with a certified public
13 accountant or firm to perform an audit unless the Auditor of Public Accounts has
14 declined in writing to perform the audit or has failed to respond within thirty (30)
15 days of receipt of a written request. The area development district shall furnish
16 the Auditor of Public Accounts with a comprehensive statement of the scope and
17 nature of the proposed audit. The actual expense of an audit performed by the
18 Auditor of Public Accounts shall be billed to the audited area development
19 district.

20 (2) When an audit of an area development district is performed by a certified public
21 accountant or firm, the Auditor of Public Accounts shall have the right to review
22 the certified public accountant's or firm's work papers before and after the
23 release of the audit.

24 (3) After preliminary review of the work papers, should discrepancies be found, the
25 Auditor of Public Accounts shall notify the audited entity of the discrepancies. If
26 the certified public accountant or firm does not correct those discrepancies prior
27 to the release of the audit, the Auditor of Public Accounts may conduct its own

1 audit to verify the findings of the certified public accountant's or firm's report. If
2 an audit verifying the findings of the certified public accountant's report is
3 conducted by the Auditor of Public Accounts, the actual expense of the audit
4 shall be billed to the area development district.

5 ➔Section 5. Section 4 of this Act takes effect July 1, 2018.